
EEF and UK Steel response to Ofgem Consultation 'Getting more out of our electricity networks by reforming access and forward-looking charging arrangements'

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Submitted via email

About EEF and UK Steel

EEF, the manufacturers' organisation, is the representative voice of UK manufacturing, with offices in London, Brussels, every English region and Wales. Collectively, we represent 20,000 companies of all sizes, from start-ups to multinationals, across engineering, manufacturing, technology and the wider industrial sector. We directly represent over 5,000 businesses who are members of EEF. Everything we do – from providing essential business support and training to championing manufacturing industry in the UK and the EU – is designed to help British manufacturers compete, innovate and grow.

UK Steel, a division of EEF, is the trade association for the UK steel industry. It represents all the country's steelmakers and a large number of downstream steel processors.

Submission

➔ **Question 1:** Do you agree with the case for change as set out in chapter 2? Please give reasons for your response, and include evidence to support this where possible.

We would agree that there is a case for review in this area. As noted later, we believe issues of this complexity should be addressed through a full Significant Code Review. This would better account for all consumer interests, including those with less resource and expertise in this area.

➔ **Question 2:** Do you agree with our proposal that access rights should be reviewed, with the aim to improve their definition and choice? Please provide reasons for your response and, where possible, evidence to support your views.

More clarity and choice in this area would be welcome. However, non-firm and time-profiled access rights should be part of a range of options available on a voluntary basis and consumers should not face a penalty if they are unable to take advantage of these. Some industrial processes can be interrupted but for others this is not an option.

➔ **Question 3:** Specifically, do you have views on whether options should be developed in the following areas as part of a review? Please give reasons for your response, and where possible, please provide evidence to support your views:

a) Establishing a clear access limit for small users, with greater choice of options (as considered under b) and c) below) above a core threshold – do you agree with our proposal in paragraphs 3.5-3.10 that this should be considered? Do you have views on how a core threshold could be set?

- b) Firm/non-firm and time-profiled access – do you agree with our proposal outlined in paragraphs 3.15-3.21 that these options should be developed?
- c) Duration and depth of access, discussed in paragraph 3.25-3.32 - would these options be feasible and beneficial?
- d) At transmission or distribution in particular, or are both equally important – as discussed in this chapter?

→ **Question 4:** Do you agree with the key links between access and charging we have identified in table 1? Why or why not? Do you think there are other key links we have not identified? Where possible, please provide evidence to support your views.

→ **Question 5:** Do you agree with our proposal that targeted areas of allocation of access should be reviewed? Please give any specific views on the areas below, together with reasons for your response. Where possible, please provide evidence to support your views:

- a) Improved queue management as the priority area for improving initial allocation of access, as outlined in paragraphs 3.41-3.44?
- b) Not to consider the potential role of auctions for initial allocation of access as part of a review at this time, as discussed in paragraph 3.44?
- c) To review the areas outlined in paragraphs 3.45-3.48 to support re-allocation of access?

Industrial consumers were relieved to see Ofgem decide not to pursue the use of auctions for initial allocation at this stage. This could be a significant challenge to manage for companies for whom this is not a core part of their business and add uncertainty to business planning.

However, EEF and UK Steel would support further investigation of the proposals around a secondary market. This could enable more efficient use of existing network capacity and avoid unnecessary investment.

→ **Question 6:** Do you agree that a comprehensive review of forward-looking DUoS charging methodologies, as outlined in paragraphs 4.3-4.7, should be undertaken? Please provide reasons for your response and, where possible, evidence to support your position.

As highlighted before, industrial consumers are frustrated that residual elements of DUoS and TNUoS are being reviewed ahead of the rest of the charges. These are closely interwoven with the forward-looking charge. It would be more logical to review everything together, allowing consumers better insight into the likely cumulative impact. This would also avoid two sets of change coming in quick succession.

In addition, allowing more time for the Targeted Charging Review would reassure consumers that their concerns are being fully considered in the modelling work for the impact assessment. Lessons from this are likely to be valuable to the Access & Forward Looking Charges Review.

→ **Question 7:** Do you agree that the distribution connection charging boundary should be reviewed, but not the transmission connection boundary? Please provide reasons for your response and, where possible, evidence to support your position.

➔ **Question 8:** Do you agree that the basis of forward-looking TNUoS charging should be reviewed in targeted areas? If you have views on whether we should review the following specific areas please also provide these:

a) Do you agree that forward-looking TNUoS charges for small distributed generation (DG) should be reviewed, as outlined in paragraphs 4.19-4.23?

b) Do you consider that forward-looking TNUoS charges for demand should be reviewed, as outlined in paragraphs 4.24-4.27?

Please provide reasons for your response and, where possible, evidence to support your position.

As above for DUoS.

➔ **Question 9:** Do you agree that a broader review of forward-looking TNUoS charges, or the socialisation of Connect and Manage costs through BSUoS at this time, should not be prioritised for review? Please provide reasons for your response and, where possible, evidence to support your position.

➔ **Question 10:** Do you agree that there would be value in further work in assessing options to make BSUoS more cost-reflective, and if so, that an ESO-led industry taskforce would be the best way to take this forward?

➔ **Question 11:** What are your views on whether Ofgem or the industry should lead the review of different areas? Please specify which of SCR scope options A-C you favour, or describe your alternative proposal if applicable. Please give reasons for your view.

All of the change should be managed through a Significant Code Review. This work has begun in a very transparent inclusive manner welcomed by consumer stakeholders who typically have less expertise and resource than energy industry representatives. We would like this to continue.

An industry-led process risks being dominated by the network industry, its advisers and investors.

➔ **Question 12:** Do you agree with our proposal to launch an 'Option 1' SCR for areas of review that we lead on? Please give reasons for your view.

As above, we would welcome everything being managed through an SCR. If necessary, this could be phased to allow some questions to be addressed before others.

➔ **Question 13:** Do you agree with the introduction of a licence condition on the basis described in paragraphs 5.11 and 5.12 and Appendix 5? Why or why not? Do you have any comments on the key elements set out in table 7 of Appendix 5a, or consider there are any other key elements which should be included? Please give reasons for your view.

➔ **Question 14:** Do you have any comments on the draft wording of the outline licence condition included at Appendix 5b? Please give reasons for your view.

→ **Question 15:** What are your views on our indicative timelines? Do you foresee any potential challenges to, or implications of, the proposed timelines and how could these be mitigated?

→ **Question 16:** What are your views on our proposals for coordinating and engaging stakeholders in this work?

FOR FURTHER INFORMATION CONTACT:

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